

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0772-03  
Bill No.: HCS for HB 856  
Subject: Corporations; Political Subdivisions; Secretary of State; Business and Commerce;  
Revenue, Department of  
Type: Original  
Date: March 5, 2019

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Bill Summary: This proposal changes the law regarding government-sanctioned business.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Up to (\$323,311) to Unknown	Up to (\$342,482) to Unknown	Up to (\$345,727) to Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (323,311) to Unknown</b>	<b>Up to (\$342,482) to Unknown</b>	<b>Up to (\$345,727) to Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	Up to 5 FTE	Up to 5 FTE	Up to 5 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>Up to 5 FTE</b>	<b>Up to 5 FTE</b>	<b>Up to 5 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue (DOR)** state their Business Tax Unit requires two (2) Revenue Processing Technicians (\$24,360 each) in order to administer Section 70.221.3.

**Oversight** attempted to obtain information regarding the number of entities that were initially formed under Section 70.220 to determine the number of potential violations that may be reported to the Department of Revenue; however, we were unable to obtain this information and therefore, are unable to determine scope of this bill. Therefore, Oversight will range the fiscal impact to the DOR as “Up to” their estimated need for 2 FTE. Similarly, Oversight does not know how many such entities are exceeding its initial purpose and need to register as a for-profit corporation and taxed as such. Nor, would Oversight be able to estimate when such switch in taxation for these entities begin. Therefore, Oversight will reflect a \$0 or Unknown amount of tax revenue from this proposal.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year’s legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Attorney General’s Office (AGO)** anticipates the need for two additional investigators (\$45,000 per year) and one additional AAG II (50,500 per year) due to the potential investigations arising from 407.312.6. AGO estimates a cost of \$233,746 in FY 2020, \$252,076 in FY 2021, and \$254,654 in FY 2022.

Again, **Oversight** is unsure of the scope of the bill; therefore, will reflect AGO’s cost also as “Up to” their estimate.

ASSUMPTION (continued)

Officials from the **Department of Corrections (DOC)** assume the legislation proposes changes to the laws regarding government-sanctioned businesses.

Missouri Vocational Enterprises (MVE), within the Department of Corrections, operates within the guidelines in which it was originally established under chapter 217; however, MVE manufactures a number of products that may be considered competition to private businesses.

It is unknown how private businesses will perceive the sales of MVE goods and services. The proposed legislation could lead to litigation if a private entity challenges MVE sales as to whether the purchaser was a public or private entity. Therefore, department officials are assuming an unknown impact to the department.

In response to a previous version, officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

In response to a previous version, officials from the **Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

In response to a previous version, officials from the **City of Kansas City, St. Louis County, and Monroe County Assessor** both assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the City of Kansas City, St. Louis County, and Monroe County Assessor have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Income</u> - potential tax revenue from entities initially formed under Section 70.220, but now being taxed as corporations §70.221	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - DOR §70.221	Up to...	Up to...	Up to...
Personal service	(\$40,600)	(\$49,207)	(\$49,699)
Fringe benefits	(\$33,391)	(\$40,217)	(\$40,367)
Equipment and expense	<u>(\$15,574)</u>	<u>(\$982)</u>	<u>(\$1,007)</u>
<u>Total Cost</u> - DOR	<u>Up to (\$89,565)</u>	<u>Up to (\$90,406)</u>	<u>Up to (\$91,073)</u>
FTE Change - DOR	Up to 2 FTE	Up to 2 FTE	Up to 2 FTE
<u>Cost</u> - AGO	Up to...	Up to...	Up to...
Personal Service	(\$117,083)	(\$141,905)	(\$143,324)
Fringe Benefits	(\$67,205)	(\$81,074)	(\$81,507)
Equipment and Expense	<u>(\$49,458)</u>	<u>(\$29,097)</u>	<u>(\$29,823)</u>
<u>Total Cost</u> - AGO	<u>(\$233,746)</u>	<u>(\$252,076)</u>	<u>(\$254,654)</u>
FTE Change - AGO	3 FTE	3 FTE	3 FTE
<u>Cost</u> - DOC - costs for litigation & MVE uncertainty	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>Up to (\$323,311) to <u>Unknown</u></b>	<b>Up to (\$342,482) to <u>Unknown</u></b>	<b>Up to (\$345,727) to <u>Unknown</u></b>
Estimated Net FTE Change General Revenue	Up to 5 FTE	Up to 5 FTE	Up to 5 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposed legislation may impact small businesses that are government sanctioned, and potentially affect how they continue to do business.

FISCAL DESCRIPTION

This bill pertains to the permissible conduct of certain businesses.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office  
Department of Corrections  
Office of State Courts Administrator  
Department of Revenue  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
City of Kansas City  
Monroe County Assessor  
St. Louis County



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March 5, 2019

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